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BEFORE THE ARIZONA CORPORATION COMMISSION

JEFF HATCH-MILLER
Chairman
WILLIAM A. MUNDELL
Commissioner
MARC SPITZER
Commissioner
MIKE GLEASON
Commissioner
KRISTIN K. MAYES
Commissioner

Arizona Corporation Commission

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AZ Corporation Commission
Director of Utilities

IN THE MATTER OF VALLEY UTILITIES
WATER COMPANY, INC. – FILING TO
ESTABLISH AN OFF-SITE FACILITIES
HOOK-UP FEE TARIFF (ARSENIC
IMPACT FEE)

DOCKET NO. W-01412A-04-0848

DECISION NO. 67669

ORDER

Open Meeting
March 8 and 9, 2005
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. Valley Utilities Water Company, Inc. ("Valley" or "Company") provides water utility service to approximately 1,250 customers in a portion of Maricopa County, Arizona, approximately 20 miles northwest of downtown Phoenix.

2. On November 26, 2004, Valley filed tariff pages to establish an Off-Site Facilities Hook-Up Fee Tariff. Valley is undertaking a significant construction project to reduce the level of arsenic concentration in its water supply so it can meet the new arsenic standard in 2006. The Company proposes to fund its project using a Water Infrastructure Finance Authority of Arizona ("WIFA") loan. An application for approval of this loan is pending before the Commission in Docket No. W-01412A-04-0849. The Company plans to use proceeds from the proposed hook-up fees to pay the debt service and/or principal reduction on the requested loan.

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1 3. On January 4, 2005, in Decision No. 67461, the Commission suspended the tariff
2 filing for a period of seventy-five (75) days, until and including March 12, 2005. This request was
3 granted so that Staff would have more time to review the application.

4 4. Valley is located in the Phoenix West Valley, just east of Luke Air Force Base. The
5 water system consists of six wells, five storage tanks and four booster systems serving
6 approximately 1,250 service connections. The arsenic level at each well is: Well 1 at 12 parts per
7 billion ("ppb"), Well 2 at 12 ppb, Well 3 at 7 ppb, Well 4 at 12 ppb, Well 5 at 13 ppb and Well 6 at
8 11 ppb.

9 5. Valley hired a consulting firm, Narasimhan Consulting Services, Inc., to conduct an
10 arsenic treatment study for Valley's treatment technology considerations. A pilot study was
11 conducted at Valley's Wells 4, 5 and 6 from April 2003 to September 2003 and the final study
12 report was completed in May 2004. The study recommended using the absorption media treatment
13 method with a total treatment system cost of \$1,926,100 for treatment of five of the six wells.

14 6. The proposed hook-up fee will be used to pay the debt service and/or principal
15 reduction on the requested WIFA loan. The WIFA loan is requesting service debt approval for
16 arsenic treatment system facilities for Wells 1 and 2 at \$542,500 and Wells 4, 5 and 6 at
17 \$1,383,600, totaling \$1,926,100. Valley seeks approval of a hook-up fee tariff of \$1,100 for all
18 new 5/8- x 3/4-inch service connections, graduated for larger meter sizes. Only that portion of the
19 treatment system cost needed to serve new growth was used to calculate the proposed hook-up fee
20 amounts. Staff has reviewed the Company's arsenic treatment study and its hook-up fee
21 calculations and finds them to be reasonable.

22 7. Staff recommends approval of the hook-up tariff as an Arsenic Impact Fee ("AIF")
23 Tariff.

24 8. Staff further recommends that:

- 25 a. The monies collected under this AIF tariff shall be used to pay for only
26 arsenic treatment equipment and related appurtenances (including
27 engineering and design costs for such facilities) necessary for the removal of
28 arsenic through treatment of water to meet the 10 parts per billion (ppb)
 arsenic standard.

- b. The AIF tariff is applicable to all new service connections established after the effective date of the tariff.
- c. The AIF shall be non-refundable; therefore, facilities installed using these funds shall be contributions in aid of construction.
- d. All funds collected by the Company as AIF shall be deposited into a separate interest bearing trust account and used solely for the purposes of paying for the costs of arsenic treatment facilities, including repayment of loans obtained for the installation of arsenic treatment facilities that will benefit the entire water system.
- e. After all necessary funds are collected to pay for all Arizona Department of Environmental Quality required arsenic treatment facilities or the AIF has been terminated by order of the Commission, any funds not necessary to pay for arsenic treatment facilities remaining in the trust shall be refunded. The manner of the refund shall be determined by the Commission at the time a refund becomes necessary.
- f. Valley be required to submit a calendar year status report each by January 31st to the Utilities Division Director every twelve (12) months, beginning January 31, 2006, until the AIF Tariff is no longer in effect. This status report should contain a list of all customers that have paid the AIF Tariff, the amount each has paid, the amount of money spent from the account, the amount of interest earned on the AIF Tariff account, and a list of all facilities that have been installed with the AIF Tariff funds.

CONCLUSIONS OF LAW

1. Valley is an Arizona public service corporation within the meaning of Article XV, Section 2, of the Arizona Constitution.
2. The Commission has jurisdiction over Valley and over the subject matter of the application.
3. Approval of the filing does not constitute a rate increase as contemplated by A.R.S. Section 40-250.
4. The Commission, having reviewed the application and Staff's Memorandum dated February 18, 2005, concludes that the tariff is reasonable, fair and equitable and therefore is in the public interest.
5. Staff's recommendations, as set forth in Finding of Fact No. 8, are reasonable and should be adopted.


ORDER

THEREFORE, IT IS ORDERED that Valley Utilities Water Company, Inc.'s application for revision of its tariff schedules to implement an Arsenic Impact Fee, be and hereby is approved.

IT IS FURTHER ORDERED that Valley Utilities Water Company, Inc. shall comply with the requirements contained in Finding of Fact No. 8.

IT IS FURTHER ORDERED that Valley Utilities Water Company, Inc. shall file, within 30 days, a copy of the Arsenic Impact Fee Tariff approved herein.

IT IS FURTHER ORDERED that this Order shall become effective immediately.

BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION
CHAIRMAN
COMMISSIONER
COMMISSIONER
COMMISSIONER
COMMISSIONER

IN WITNESS WHEREOF, I BRIAN C. McNEIL, Executive Secretary of the Arizona Corporation Commission, have hereunto, set my hand and caused the official seal of this Commission to be affixed at the Capitol, in the City of Phoenix, this 9th day of March, 2005.


BRIAN C. McNEIL
Executive Secretary

DISSENT: _____

DISSENT: _____

EGJ:MSJ:lhv\DR

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